

**CITY OF CHARLESTON,  
SOUTH CAROLINA**

**SINGLE AUDIT REPORTS**

**YEAR ENDED DECEMBER 31, 2007**

**BRYAN, TRUESDALE,  
ADKINS & WILLIAMS, PA**  
*Certified Public Accountants and Financial Advisors*

**CITY OF CHARLESTON,  
SOUTH CAROLINA**

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**REPORTS ON INTERNAL CONTROL  
AND COMPLIANCE**

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**YEAR ENDED DECEMBER 31, 2007**

**CITY OF CHARLESTON, SOUTH CAROLINA  
REPORTS ON INTERNAL CONTROL AND COMPLIANCE  
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## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

Honorable Mayor and Members of City Council  
**City of Charleston, South Carolina**  
Charleston, South Carolina

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of **City of Charleston, South Carolina**, as of and for the year ended December 31, 2007, which collectively comprise the **City of Charleston, South Carolina's** basic financial statements and have issued our report thereon dated July 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **City of Charleston, South Carolina's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the **City of Charleston, South Carolina's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the **City of Charleston, South Carolina's** internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the **City of Charleston, South Carolina's** ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the **City of Charleston, South Carolina's** financial statements that is more than inconsequential will not be prevented or detected by the **City of Charleston, South Carolina's** internal control. We consider the deficiency listed as 2007-1 in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the **City of Charleston, South Carolina's** internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we do not believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **City of Charleston, South Carolina's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the **City of Charleston, South Carolina**, in a separate letter dated July 28, 2008.

This report is intended solely for the information and use of the audit committee, management, City Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Bryan, Tuesdale, Adkins & Williams, PA*  
July 28, 2008



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## **Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133**

Honorable Mayor and Members of City Council  
**City of Charleston, South Carolina**  
Charleston, South Carolina

### Compliance

We have audited the compliance of the **City of Charleston, South Carolina**, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The **City of Charleston, South Carolina's** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the **City of Charleston, South Carolina's** management. Our responsibility is to express an opinion on the **City of Charleston, South Carolina's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the **City of Charleston, South Carolina's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the **City of Charleston, South Carolina's** compliance with those requirements.

In our opinion, the **City of Charleston, South Carolina**, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

### Internal Control Over Compliance

The management of the **City of Charleston, South Carolina**, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the **City of Charleston, South Carolina's** internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the **City of Charleston, South Carolina's** internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **City of Charleston, South Carolina**, as of and for the year ended December 31, 2007, and have issued our report thereon dated July 28, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the **City of Charleston, South Carolina's** basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Bryan, Truesdale, Adkins & Williams, PA*

July 28, 2008

**CITY OF CHARLESTON, SOUTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2007**

<b>Federal Grantor/ Pass-through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Agency or Pass-Through Identifying Number</b>	<b>Federal Expenditures</b>
<b>U. S. Department of Agriculture</b>			
Passed through S. C. Department of Social Services Summer Feeding Program	10.559	SF-129	\$ 180,683
<b>U. S. Department of Housing and Urban Development</b>			
Direct			
Community Development Block Grant	14.218	B06-MC-45-0001	1,161,245
Home Investment Partnership	14.239	M06-MC-45-0201	1,243,059
Home Investment Partnership - American Dream Downpayment Initiative	14.239	M04-MC-45-0201	22,000
Total CFDA # 14.239			1,265,059
HOPWA	14.241	SCH06F002	270,282
HOPWA	14.241	SCH07F002	109,854
Total CFDA # 14.241			380,136
EDI - Special Project Grant	14.246	B02-SPSC-0662	24,404
EDI - Special Project Grant	14.246	B03-SPSC-0720	30,777
Total CFDA # 14.246			55,181
Community Development Block Grant - Section 108 Loan	14.248	B01-MC-45-0001	279,880
Lead-Based Hazard Control	14.900	SCLHB 0314-04	591,292
<b>Total U. S. Department of Housing and Urban Development</b>			3,732,793
<b>U.S. Department of the Interior</b>			
Passed through the S.C. Department of Archives Historic Preservation Fund Grants-in-Aid	15.904	N/A	28,200
Direct			
Save America's Treasures	15.929	45-04-ML-0129	32,004
<b>Total U.S. Department of the Interior</b>			60,204
<b>U. S. Department of Justice</b>			
Direct			
Federal Equitable Sharing	16.000	NCIC/ORI/Tracking No. 100100	104,462
Edward Byrne Memorial Justice Assistance Grant	16.738	2006-DJ-BX-0789	27,593
Weed and Seed	16.595	2004-WS-Q4-0146	75,887
COPS Ahead/Universal Hiring Program	16.710	2003-UM-WX-0105	755
Total direct programs			208,697
Passed through the US Attorney's Office for the District of SC Sea Hawk Task Force	16.999	0E647102	89,257
<b>Total U. S. Department of Justice</b>			297,954

(continued)



**CITY OF CHARLESTON, SOUTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2007**

<b>Federal Grantor/ Pass-through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Agency or Pass-Through Identifying Number</b>	<b>Federal Expenditures</b>
<b>U. S. Department of Transportation</b>			
Passed through S.C. Department of Transportation			
Ashley River Road Bike and Pedestrian Trails	20.205	STP-MP-01(002)	\$ 30,168
Traffic Signal Replacement and Control System	20.205	10H77SA10002	477,056
Older Driver and Pedestrian Safety Program	20.205	10Q210D10001	78,504
Septima Clark Crosswalk Improvements	20.205	STP-EH-29-05	73,382
Spring Cannon Enhancement Project	20.205	STP-EH-91-03	68,634
Upper King Street Streetscape Project	20.205	STP-EM-10(002)	484,933
Dill Tract Earthwork Preservation	20.205	10H22MP04023	12,247
West Ashley Greenway Ashley River Ext I Project	20.205	10H22MPO4014	4,854
West Ashley Riverview Enhancement	20.205	10H22MP07001	12,809
East Bay Street Bike and Pedestrian Path	20.205	10Q22D0T5011	71,140
Camden Towers Cultural Center Courtyard Park Project	20.205	10Q22MP03014	26,462
Avondale Point Improvement Enhancement Project	20.205	10Q22MP07013	1,563
Cooper River Bridge Tree Mitigation	20.205	10Q921738002	40,727
Cooper River Bridge Mitigation and Enhancement Activities	20.205	N/A	294,519
<b>Total U. S. Department of Transportation</b>			<b>1,676,998</b>
<b>National Endowment for the Arts/ National Foundation on the Arts and the Humanities</b>			
Direct			
Promotion of the Arts	45.024	06-6200-7040	50,000
Passed through South Carolina Arts Commission			
Promotion of the Arts - Partnership Agreements	45.025	FY07-LTO/ARC-0342	23,926
<b>Total National Endowment for the Arts/ National Foundation on the Arts and the Humanities</b>			<b>73,926</b>
<b>U. S. Environmental Protection Agency</b>			
Direct			
Brownsfield Assessment & Cleanup Cooperative	66.818	BF-96412704-0	16,111
<b>U. S. Department of Health and Human Services</b>			
Passed through S.C. Department of Health and Human Service			
Enterprise Community Initiative	93.585	B040392A	10,032

(continued)

**CITY OF CHARLESTON, SOUTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2007**

<b>Federal Grantor/ Pass-through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Agency or Pass-Through Identifying Number</b>	<b>Federal Expenditures</b>
<b>U. S. Department of Homeland Security/ Federal Emergency Management Agency</b>			
Direct			
Port Security Grant Program	97.056	2006-GB-T6-0044	\$ 119,238
Passed through S.C. Emergency Management Division			
Pre-Disaster Mitigation Competitive Grants	97.017	PDMC-SC-2005-05	263,980
Pre-Disaster Mitigation Competitive Grants	97.017	PDMC-SC-2005-08	61,800
Total CFDA # 97.017			325,780
2005 Buffer Zone Protection Program	97.078	5BZPP02	3,719
Total pass-through programs			329,499
<b>Total U.S. Department of Homeland Security/Federal Emergency Management Agency</b>			448,737
<b>Total Federal Expenditures</b>			<b>\$ 6,497,438</b>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**CITY OF CHARLESTON, SOUTH CAROLINA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2007**

**A. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the *City of Charleston, South Carolina*, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**B. Loans Outstanding**

The *City of Charleston, South Carolina*, had the following loan balance outstanding at December 31, 2007.

Federal Grantor/Program Title	Federal CFDA Number	Agency Pass-Through Identifying Number	Loan Balance
US Department of Housing and Urban Development Community Development Block Grant – Section 108	14.248	B01-MC-45-0001	<u>\$855,000</u>

**C. Program Income**

The *City of Charleston, South Carolina*, had Federal expenditures funded by program income in the following amounts:

Federal Grantor/Program Title	Federal CFDA Number	Agency Pass-Through Identifying Number	Program Income
U.S. Department of Housing and Urban Development			
Community Development Block Grant	14.218	B06-MC-45-0001	\$558,157
Home Investment Partnership	14.239	M06-MC-45-0201	\$115,103
EDI – Special Project Grant	14.246	B02-SPSC-0662	\$ 24,404
Community Development – Section 108 loan	14.248	B01-MC-45-0001	\$ 33,990
Lead-Based Hazard Control	14.900	SCLHB 0314-04	\$ 1,386
U.S. Department of Justice			
Federal Equitable Sharing Program	16.000	NCIC/ORI/Tracking No. 100100	\$100,454

**CITY OF CHARLESTON, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2007**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☒ yes ☐ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

☐ yes ☒ no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.239	Home Investment Partnership
14.900	Lead-Based Hazard Control
15.929	Save America's Treasures
16.000	Federal Equitable Sharing
45.024	Promotion of the Arts
97.017	Pre-Disaster Mitigation Competitive Grants
97.056	Port Security Grant Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☒ yes ☐ no

**CITY OF CHARLESTON, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2007**

**Section II - Financial Statements Findings**

Ref #	Department/ Program/Grant	Finding/Noncompliance
2007-1	Accounts Payable	<p><u>Criteria:</u> Cash disbursements should be supported by documentation that accurately reflects the amount and nature of the disbursement.</p> <p><u>Conditions:</u> Of a sample of 131 disbursements for 207 invoices or other direct pay requests revealed the following:</p> <ul style="list-style-type: none"> <li>• Two disbursements for which the amount paid did not match the supporting documentation.</li> <li>• Two disbursements for employee reimbursements for which the supporting documents were insufficient or missing.</li> </ul> <p><u>Effects:</u> The City was at risk of paying for goods or services not received by the City and of duplicate or fraudulent payments.</p> <p><u>Cause:</u> Accounts payable personnel did not exercise sufficient care in a final review of documents before processing payments.</p> <p><u>Recommendations:</u> Accounts payable personnel should exercise due care in their role of final reviewers of disbursements for compliance with the City's documentation requirements.</p> <p><u>Management response:</u> While management concurs that personnel should have followed the City's Accounts Payable procedures and will reinforce those procedures with additional training, the two disbursements for which the amounts paid did not match the supporting documentation both pertained to training of Public Safety personnel, where additional personnel attended training than were documented with the invoice processing forms. While additional documentation was available in the applicable department, that documentation should have been obtained and attached to the registration forms before they were paid by Accounts Payable personnel.</p> <p>While management concurs with the recommendation, we feel further clarification of the finding is needed. In the first bullet concerning the amount paid not matching the supporting documentation, these findings were due to lack of documentation to support the number of employees attending training events. While the proper documentation was not included in paperwork submitted to payables and we agree that Accounts Payable should have required more documentation before releasing payment, the department had additional information on file at their location that illustrated exactly who attended the training events and proved that the amount paid was completely accurate. We have educated the department and Accounts Payable personnel on the required documentation that must be attached before making payments.</p>

**Section III - Federal Awards Findings and Questioned Costs**

Ref #	Department/ Program/Grant	Finding/Noncompliance
None		

**CITY OF CHARLESTON, SOUTH CAROLINA  
SUMMARY OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2007**

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Ref #	Department/ Program/Grant	Finding/Status
None		